

Report on the

# Clay County Commission

Clay County, Alabama

October 1, 2017 through September 30, 2018

Filed: September 3, 2021



## Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280  
Montgomery, Alabama 36104-4338  
P.O. Box 302251  
Montgomery, Alabama 36130-2251  
Website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov)

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

State of Alabama  
Department of  
**Examiners of Public Accounts**

P.O. Box 302251, Montgomery, AL 36130-2251  
401 Adams Avenue, Suite 280  
Montgomery, Alabama 36104-4338  
Telephone (334) 242-9200  
FAX (334) 242-1775

Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Clay County Commission, Clay County, Alabama, for the period October 1, 2017 through September 30, 2018. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

David J. Lane, Sr.  
Examiner of Public Accounts

rb



---

---

## *Table of Contents*

---

---

	<i>Page</i>
<b>Summary</b>	A
Contains items pertaining to state and local legal compliance, Commission operations and other matters.	
<b>Independent Auditor's Report</b>	C
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<b><u>Basic Financial Statements</u></b>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1      Statement of Net Position	2
Exhibit #2      Statement of Activities	4
Exhibit #3      Balance Sheet – Governmental Funds	5
Exhibit #4      Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Exhibit #5      Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Exhibit #6      Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Exhibit #7      Statement of Fiduciary Net Position	9
Exhibit #8      Statement of Changes in Fiduciary Net Position	10
<b>Notes to the Financial Statements</b>	11



---

## *Table of Contents*

---

	<i>Page</i>
<b><u>Required Supplementary Information</u></b>	36
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9      Schedule of Changes in the Employer's Net Pension Liability	37
Exhibit #10     Schedule of the Employer's Contributions – Pension	38
Exhibit #11     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	39
Exhibit #12     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 7 Cent Gasoline Tax Fund	41
Exhibit #13     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 4 Cent Gasoline Tax Fund	42
Exhibit #14     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 5 Cent Gasoline Tax Fund	43
Exhibit #15     Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Property Reappraisal Fund	44
<b><u>Additional Information</u></b>	45
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards.	
Exhibit #16 <b>Commission Members and Administrative Personnel</b> – a listing of the Commission members and administrative personnel.	46
Exhibit #17 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.	47





## Department of **Examiners of Public Accounts**

### **SUMMARY**

#### **Clay County Commission October 1, 2017 through September 30, 2018**

The Clay County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Clay County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 16. The Commission is the governmental agency that provides general administration, public safety, construction, and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Clay County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2018.

Financial statements for the fiscal year ending September 30, 2018 were not prepared by management until March 9, 2020. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

### **EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Commissioners: Bennie D. Morrison, Donald C. Harris, Ray Milstead, Greg Denney, and Ricky Burney; and County Administrator, Mary Wood. Also in attendance was a representative from the Department of Examiners of Accounts: David J. Lane, Audit Manager.

---

# *Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Clay County Commission and County Administrator  
Ashland, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County Commission, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Clay County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County Commission, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

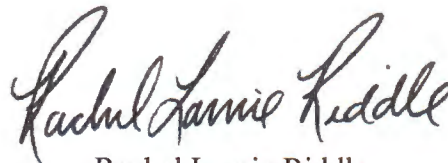
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 15), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 17, 2021, on our consideration of the Clay County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Clay County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Clay County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is written in a cursive, flowing style.

Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

August 17, 2021

---

# *Basic Financial Statements*

# ***Statement of Net Position*** ***September 30, 2018***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 4,408,249.00
Taxes Receivable	1,235,196.00
Receivables (Note 4)	178,961.00
Capital Assets (Note 5):	
Nondepreciable	915,337.00
Depreciable	8,792,613.00
Total Assets	<u>15,530,356.00</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Outflows Related to Defined Benefit Pension Plan	360,585.00
Total Deferred Outflows of Resources	<u>360,585.00</u>
<b><u>Liabilities</u></b>	
Accounts Payable	446,798.00
Accrued Liabilities	34,268.00
Unearned Revenue	180,956.00
Long-Term Liabilities (Note 7):	
Portion Due or Payable Within One Year:	
Notes Payable	94,735.00
Warrants Payable	230,000.00
Portion Due or Payable After One Year:	
Notes Payable	198,222.00
Warrants Payable	2,600,000.00
Compensated Absences	287,302.00
Net Pension Liability	1,147,213.00
Total Liabilities	<u>5,219,494.00</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Ad Valorem Taxes	1,024,059.00
Revenue Received in Advance - Motor Vehicle Taxes	67,057.00
Deferred Inflows Related to Defined Benefit Pension Plan	156,807.00
Total Deferred Inflows of Resources	<u>\$ 1,247,923.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

	<b>Governmental Activities</b>
<hr/>	
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 6,676,966.00
Restricted for:	
Highways and Roads	1,553,431.00
Capital Projects	147,439.00
Debt Service	150,404.00
Other Purposes	642,294.00
Unrestricted	<hr/> 252,990.00
Total Net Position	<hr/> <hr/> \$ 9,423,524.00

**Statement of Activities**  
**For the Year Ended September 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 2,375,119.00	\$ 349,690.00	\$	\$ (2,025,429.00)
Public Safety	1,684,569.00	66,140.00		(1,618,429.00)
Highways and Roads	2,899,535.00		2,859,363.00	(40,172.00)
Health	10,310.00			(10,310.00)
Welfare	5,000.00			(5,000.00)
Sanitation	44,768.00			(44,768.00)
Education	5,477.00			(5,477.00)
Interest and Fiscal Charges	189,255.00			(189,255.00)
Total Governmental Activities	<u>\$ 7,214,033.00</u>	<u>\$ 415,830.00</u>	<u>\$ 2,859,363.00</u>	<u>\$ (3,938,840.00)</u>
<b>General Revenues:</b>				
Sales, Property, Other Taxes for General Purposes				2,027,373.00
General Business Licenses and Permits				5,371.00
Miscellaneous Revenue				528,858.00
Total General Revenues				<u>2,561,602.00</u>
Change in Net Position				(1,377,238.00)
Net Position - Beginning of Year				<u>10,800,762.00</u>
Net Position - End of Year				<u>\$ 9,423,524.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	General Fund	7 Cent Gasoline Tax Fund	4 Cent Gasoline Tax Fund	5 Cent Gasoline Tax Fund	Property Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,379,335.00	\$ 69,336.00	\$ 716,190.00	\$ 787,931.00	\$ 161,030.00	\$ 1,294,427.00	\$ 4,408,249.00
Taxes Receivable	791,394.00	69,765.00	48,823.00	19,933.00	293,055.00	12,226.00	1,235,196.00
Receivables (Note 4)	155,113.00	3,413.00				20,435.00	178,961.00
Total Assets	2,325,842.00	142,514.00	765,013.00	807,864.00	454,085.00	1,327,088.00	5,822,406.00
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	8,510.00	8,330.00	230,655.00	198,542.00	212.00	549.00	446,798.00
Accrued Liabilities	13,203.00	17,028.00			4,037.00		34,268.00
Unearned Revenue	24,175.00				156,781.00		180,956.00
Total Liabilities	45,888.00	25,358.00	230,655.00	198,542.00	161,030.00	549.00	662,022.00
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Ad Valorem Taxes	731,004.00				293,055.00		1,024,059.00
Revenue Received in Advance - Motor Vehicle Taxes	67,057.00						67,057.00
Total Deferred Inflows of Resources	798,061.00				293,055.00		1,091,116.00
<b>Fund Balances</b>							
Restricted for:							
Debt Service						150,404.00	150,404.00
Capital Projects						239,412.00	239,412.00
Highways and Roads		117,156.00	534,358.00	609,322.00		292,595.00	1,553,431.00
Other Purposes						642,294.00	642,294.00
Assigned for Other Purposes						1,834.00	1,834.00
Unassigned	1,481,893.00						1,481,893.00
Total Fund Balances	1,481,893.00	117,156.00	534,358.00	609,322.00		1,326,539.00	4,069,268.00
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,325,842.00	\$ 142,514.00	\$ 765,013.00	\$ 807,864.00	\$ 454,085.00	\$ 1,327,088.00	\$ 5,822,406.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2018***

---

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 4,069,268.00

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported as assets in governmental funds. 9,707,950.00

Deferred outflows and inflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the governmental funds. 203,778.00

Certain liabilities are not due and payable in the current period and, therefore, are not  
reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Amounts Due or Payable Within One Year	Amount Due or Payable After One Year	
Notes Payable	\$ 94,735.00	\$ 198,222.00	
Warrants Payable	230,000.00	2,600,000.00	
Compensated Absences		287,302.00	
Net Pension Liability		1,147,213.00	
Total Long-Term Liabilities	\$ 324,735.00	\$ 4,232,737.00	
			(4,557,472.00)

Total Net Position - Governmental Activities (Exhibit 1) \$ 9,423,524.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2018**

	General Fund	7 Cent Gasoline Tax Fund	4 Cent Gasoline Tax Fund	5 Cent Gasoline Tax Fund	Property Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 1,716,702.00	\$	\$	\$	\$ 307,453.00	\$ 17,616.00	\$ 2,041,771.00
Licenses and Permits	5,371.00						5,371.00
Intergovernmental	641,416.00	911,460.00	577,466.00	216,976.00		512,649.00	2,859,967.00
Charges for Services	346,796.00					2,894.00	349,690.00
Fines and Forfeits						66,140.00	66,140.00
Miscellaneous	80,275.00	427,660.00	3,541.00	4,678.00	1,818.00	10,283.00	528,255.00
Total Revenues	2,790,560.00	1,339,120.00	581,007.00	221,654.00	309,271.00	609,582.00	5,851,194.00
<b>Expenditures</b>							
Current:							
General Government	1,075,580.00				309,271.00	116,404.00	1,501,255.00
Public Safety	1,517,347.00					150,210.02	1,667,557.02
Highways and Roads		1,234,335.00	722,892.00	484,544.00		405,100.00	2,846,871.00
Sanitation	10,310.00						10,310.00
Health	5,000.00						5,000.00
Welfare	44,768.00						44,768.00
Education	5,477.00						5,477.00
Capital Outlay	80,416.00	273,881.00					354,297.00
Debt Service:							
Principal Retirement	24,720.52	63,246.39				185,000.00	272,966.91
Interest and Fiscal Charges	3,989.48	12,495.61				128,113.98	144,599.07
Debt Issue Costs						96,237.38	96,237.38
Total Expenditures	2,767,608.00	1,583,958.00	722,892.00	484,544.00	309,271.00	1,081,065.38	6,949,338.38
Excess (Deficiency) of Revenues Over Expenditures	22,952.00	(244,838.00)	(141,885.00)	(262,890.00)		(471,483.38)	(1,098,144.38)
<b>Other Financing Sources (Uses)</b>							
Transfers In		25,000.00				391,435.00	416,435.00
Long-Term Debt Issued		129,216.00				2,830,000.00	2,959,216.00
Discount on Debt Issued						(32,208.60)	(32,208.60)
Payment to Escrow Agent						(2,611,554.02)	(2,611,554.02)
Transfers Out						(416,435.00)	(416,435.00)
Total Other Financing Sources (Uses)		154,216.00				161,237.38	315,453.38
Net Change in Fund Balances	22,952.00	(90,622.00)	(141,885.00)	(262,890.00)		(310,246.00)	(782,691.00)
Fund Balances - Beginning of Year	1,458,941.00	207,778.00	676,243.00	872,212.00		1,636,785.00	4,851,959.00
Fund Balances - End of Year	\$ 1,481,893.00	\$ 117,156.00	\$ 534,358.00	\$ 609,322.00	\$	\$ 1,326,539.00	\$ 4,069,268.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2018***

---

Total Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (782,691.00)

Amounts reported for governmental activities in the Statement of Activities  
(Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation expense in the current period.

Depreciation	\$ (814,486.00)	
Capital Outlay	<u>354,297.00</u>	(460,189.00)

In the Statement of Activities, only the gain or loss on the sale of capital assets is recognized, whereas, in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the book value of the capital assets sold. (52,664.00)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This is the amount by which debt issued exceeds payments:

Debt Issued:		
Proceeds from Long-Term Debt	\$ (2,959,216.00)	
Repayments:		
Principal	272,966.91	
Payment to Escrow Agent	<u>2,611,554.02</u>	(74,695.07)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These consist of:

Net Increase in Compensated Absences	\$ (4,829.00)	
Net Increase in Pension Expense	<u>(2,169.93)</u>	<u>(6,998.93)</u>

Change in Net Position of Governmental Activities (Exhibit 2)	<u><u>\$ (1,377,238.00)</u></u>
---	---------------------------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

***Statement of Fiduciary Net Position***  
***September 30, 2018***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<hr/>		
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 133,557.00	\$ 164,186.00
Total Assets	<u>133,557.00</u>	<u>164,186.00</u>
<b><u>Liabilities</u></b>		
Due to External Organizations		164,186.00
Total Liabilities		<u>\$ 164,186.00</u>
<b><u>Net Position</u></b>		
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 133,557.00</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended September 30, 2018***

	<b>Private-Purpose Trust Funds</b>
<hr/>	
<b><u>Additions</u></b>	
Charges for Services	\$ 1.00
Miscellaneous	43,494.00
Total Additions	<u>43,495.00</u>
<b><u>Deductions</u></b>	
General Government	5,641.00
Public Safety	36,939.00
Total Deductions	<u>42,580.00</u>
Changes in Net Position	915.00
Net Position - Beginning of Year	<u>132,642.00</u>
Net Position - End of Year	<u><u>\$ 133,557.00</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

---

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2018***

---

#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Clay County Commission (the “Commission”) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **A. Reporting Entity**

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Fund Financial Statements**

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. This fund is also used to account for the expenditures of specialty county property taxes for building and maintain public buildings, roads and bridges. The fund is also used to report the proceeds and expenditures of the County Gasoline Tax collected pursuant to the *Code of Alabama 1975*, Section 45-14-242, and the County Tobacco Tax collected pursuant to the *Code of Alabama 1975*, Section 45-14-244.
- ◆ **7 Cent Gasoline Tax Fund** – This fund is used to account for the expenditures of seven-cent State gasoline tax revenues and activities of the public works/highway department as related to maintenance, development, and resurfacing the roads, bridges, and rights-of-way. It is also used to account for expenditures and revenues of motor vehicle license taxes and fees and drivers' license revenues for the construction, improvement and maintenance of public highways and roads. This fund is also used to account for severed material taxes for the construction, maintenance, and repair of county roads.
- ◆ **4 Cent Gasoline Tax Fund** – This fund is used to account for the County's share of the statewide four cent gasoline tax. Revenues are earmarked for resurfacing, restoration and rehabilitation of county roads.
- ◆ **5 Cent Gasoline Tax Fund** – This fund is used to account for County's share of the statewide five cent supplemental gasoline tax for the resurfacing, restoration and rehabilitation of existing paved county roads and bridges and as match on any federal aid project or for new construction.
- ◆ **Property Reappraisal Fund** – This fund is used to account for the expenditures of property taxes and other revenues for the property reappraisal and appraisal update programs.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

#### **Governmental Fund Types**

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

---

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2018***

---

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

##### **1. Deposits and Investments**

Cash and cash equivalents include cash on hand and demand deposits.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

##### **2. Receivables**

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, and revenues collected by the State for taxes and cost sharing.

#### **3. Restricted Assets**

Certain warrants payable, as well as certain resources set aside for their repayment, are considered restricted assets because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

#### **4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their acquisition value on the date of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

---

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2018***

---

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	Always	N/A
Buildings	\$ 50,000	25 – 40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

#### **5. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **6. Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Warrant issue costs are reported as an expense in the period incurred.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **7. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick leave, annual leave and compensatory leave.

#### **Annual Leave**

Employees can earn annual leave as follows:

Date of hire to 15 years	4 hours each pay period
Fifteen years and one day to 25 years	5 hours each pay period
Twenty-five years and one day and over	6 hours each pay period

Unused annual leave in excess of 240 hours or 30 days at the end of any calendar year shall be forfeited by the employee or paid with approval of the department head and administrator. Employees may carry forward to the next calendar year 240 hours or 30 days or less in leave. Upon separation or termination, employees are paid, up to a maximum of 200 hours or 25 days for annual leave if the individual has been employed with the County for 12 months or longer.

#### **Sick Leave**

Sick leave benefits are available to all employees. Employees earn three hours of leave every pay period to a maximum of 90 days. No individual will be paid for his or her unused sick leave upon separation from county service. When an individual leaves county employment, he or she will not be paid for any sick leave that they have accumulated. However, if the individual is rehired by the county within one year of separation date in a job that is eligible to accrue sick leave, he or she will have his or her previous sick leave balance restored upon reemployment.

#### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Employees may accumulate 200 hours maximum. Compensatory leave is calculated at one and one-half times the regular hours. Upon separation from the county, an employee will be paid for unused compensatory time at a rate not less than (1) the average regular rate received by such employee during the last three years of the employee's employment or (2) the final regular rate received by such employee, whichever is higher.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

#### **9. Net Position/Fund Equity**

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

Fund balance is reported in the fund financial statements under the following fund balance categories.

- ◆ Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures includes inventories, prepaid items and long-term receivables.
- ◆ Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ Committed fund balances consist of amounts that are subject to a specific purpose constraint imposed by formal resolution of the County Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal resolution to remove or modify the constraint.
- ◆ Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. County Commission policy authorizes the Commission Chairman or County Administrator to designate assigned fund balances. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ Unassigned fund balances include all spendable amounts not contained in one of the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

#### **10. Minimum Fund Balance Policies**

The Commission has established a general policy to maintain an average unassigned fund balance equivalent to three months' operating revenue. The Commission shall require a minimum unassigned fund balance of two months' operating reserves at all times in the General Fund.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

#### **Note 2 – Stewardship, Compliance, and Accountability**

##### **Budgets**

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Note 3 – Deposits and Investments**

##### **A. Deposits**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

##### **B. Cash with Fiscal Agent**

The Commission has cash with fiscal agent totaling \$150,404.32 in the debt service fund (other governmental funds) reported in cash and cash equivalents. These funds are invested in the First American Treasury Obligations Fund. This money market fund invests primarily in U. S. Treasury obligations maturing in 397 days or less and in repurchase agreements collateralized by U. S. Treasury obligations. This fund is rated AAAm by Standard & Poor's and has an average maturity of 46 days or less.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have a formal investment policy requiring investments to be rated in the highest category rating. As of September 30, 2018, the Commission's investments in the money market fund were rated AAAm by Standard and Poor's and Aaa-mf by Moody's Investor Service.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

#### **Note 4 – Receivables**

On September 30, 2018, receivables for the Commission's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	7 Cent Gasoline Tax Fund	Other Governmental Funds	Total
Intergovernmental	\$155,113.00	\$3,413.00	\$	\$158,526.00
Vendors			20,435.00	20,435.00
Total	<u>\$155,113.00</u>	<u>\$3,413.00</u>	<u>\$20,435.00</u>	<u>\$178,961.00</u>

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/2017	Additions	Retirements	Balance 9/30/2018
<b><u>Governmental Activities:</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 915,337.00	\$	\$	\$ 915,337.00
Total Capital Assets, not being depreciated	915,337.00			915,337.00
Capital Assets Being depreciated:				
Buildings, Improvements and Infrastructure	11,454,135.00	116,531.00	(25,500.00)	11,545,166.00
Vehicles and Equipment	5,116,050.00	237,765.59	(65,766.10)	5,288,049.49
Total Capital Assets being depreciated	16,570,185.00	354,296.59	(91,266.10)	16,833,215.49
Less Accumulated Depreciation for:				
Buildings, Improvements and Infrastructure	(3,806,340.00)	(288,685.00)		(4,095,025.00)
Vehicles and Equipment	(3,458,378.00)	(525,801.10)	38,601.61	(3,945,577.49)
Total Accumulated Depreciation	(7,264,718.00)	(814,486.10)	38,601.61	(8,040,602.49)
Total Capital Assets, Being Depreciated, Net	9,305,467.00	(460,189.51)	(52,664.49)	8,792,613.00
Governmental Activities Capital Assets, Net	\$10,220,804.00	\$(460,189.51)	\$(52,664.49)	\$ 9,707,950.00

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<b><u>Governmental Activities:</u></b>	
General Government	\$262,408.05
Public Safety	290,768.63
Highways and Roads	252,034.94
Sanitation	1,580.20
Welfare	7,694.28
Total Depreciation Expense - Governmental Activities	<u>\$814,486.10</u>

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Note 6 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees. State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex-officio.
- 2) The State Treasurer, ex-officio.
- 3) The State Personnel Director, ex-officio.
- 4) The State Director of Finance, ex-officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS membership includes approximately 88,517 participants from approximately 909 local participating employers. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP retired member still in active service	168
Total	<u>88,517</u>

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the Commission's active employee contribution rate was 5.24 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.72 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2018, was 7.23% of pensionable pay for Tier 1 employees, and 4.44% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$146,290 for the year ended September 30, 2018.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **B. Net Pension Liability**

The Commission's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	\$5,527,778	\$5,528,792
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for October 1, 2016 – September 30, 2017	169,996	169,996
(d) Transfers Among Employers		(1,574)
(e) Actual Benefit Payments and Refunds for October 1, 2016 – September 30, 2017	(278,912)	(278,912)
(f) Total Pension Liability as of September 30, 2017 = [(a) x 1 + (b)] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$5,836,457</u>	<u>\$5,835,976</u>
(g) Difference between Expected and Actual		\$ (481)
(h) Less Liability Transferred for Immediate Recognition		<u>(1,574)</u>
(i) Experience (Gain)/Loss = (g) – (h)		<u>\$ 1,093</u>

#### **Actuarial Assumptions**

The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return of 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2016	\$5,527,778	\$4,181,896	\$1,345,882
Changes for the Year:			
Service Cost	169,996		169,996
Interest	417,595		417,595
Changes in Assumptions			
Difference Between Expected and Actual Experience	1,093		1,093
Contributions – Employer		138,007	(138,007)
Contributions – Employee		115,613	(115,613)
Net Investment Income		533,733	(533,733)
Benefit Payments, including Refunds of Employee Contributions	(278,912)	(278,912)	
Transfers Among Employers	(1,574)	(1,574)	
Net Changes	308,198	506,867	(198,669)
Balances at September 30, 2017	\$5,835,976	\$4,688,763	\$1,147,213

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Commission's net pension liability calculated using the discount rate of 7.75%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission's Net Pension Liability	\$1,859,980	\$1,147,213	\$548,526

#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by the Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

#### **D. Pension Expense and Deferred Outflows of Resources Related to Pensions**

For the year ended September 30, 2018, the Commission recognized pension expense of \$192,556. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$124,972	\$
Changes of assumptions	89,323	
Net difference between projected and actual earnings on pension plan investments		156,807
Employer contributions subsequent to the measurement date	146,290	
Total	<u>\$360,585</u>	<u>\$156,807</u>

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2019	\$ 43,636
2020	\$ 64,592
2021	\$(12,829)
2022	\$(23,631)
2023	\$ 118
Thereafter	\$ 0

#### **Note 7 – Long-Term Debt**

In May 2010, General Obligation Refunding Warrants, with interest rates ranging from 2.00 percent to 4.45 percent, were issued to current refund Clay County Public Building Authority's outstanding Series 2002 Building Revenue Warrants and to fund capital improvements. This warrant was refunded by the 2018 General Refunding Warrant during the fiscal year ending September 30, 2018.

In March 2017, the Commission entered into a note payable to purchase a dump truck with an interest rate of 4.15%.

In July 2017, the Commission entered into a note payable to purchase a side cutter with an interest rate of 4.15%.

In September 2017, the Commission entered into a note payable to purchase five vehicles with an interest rate of 3.25%.

In September 2017, the Commission entered into a note payable to purchase a backhoe with an interest rate of 4.3%.

On April 10, 2018, the Commission issued \$2,830,000.00 in General Obligation Refunding Warrants Series 2018. The Warrants were issued for the purposes of (1) currently refunding and redeeming the Commission's outstanding General Obligation Refunding Warrants, Series 2010, (2) acquiring, constructing and equipping certain capital improvements within the County, to consist of capital improvements and renovations to public buildings and the purchase of capital equipment, (3) purchasing a municipal bond insurance policy, and (4) paying issuance expenses.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2018:

	Debt Outstanding 10/01/2017	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/2018	Amounts Due within One Year
<u>Governmental Activities</u>					
Warrants and Notes Payable:					
General Obligation Refunding					
Warrants 2010	\$2,785,000.00	\$	\$(2,785,000.00)	\$	\$
General Obligation Refunding					
Warrants 2018		2,830,000.00		2,830,000.00	230,000.00
Long-Term Notes Payable	330,040.00	129,216.00	(166,299.00)	292,957.00	94,735.00
Total Warrants and Notes Payable	3,115,040.00	2,959,216.00	(2,951,299.00)	3,122,957.00	324,735.00
<u>Other Liabilities:</u>					
Compensated Absences	282,473.00	4,829.00		287,302.00	
Net Pension Liability	1,345,882.00		(198,669.00)	1,147,213.00	
Total Other Liabilities	1,628,355.00	4,829.00	(198,669.00)	1,434,515.00	
Total Government Activities Long-Term Liabilities	\$4,743,395.00	\$2,964,045.00	\$(3,149,968.00)	\$4,557,472.00	\$324,735.00

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Fund. The long-term notes payable are paid by the General Fund and the Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 46% has been paid by the General Fund, 44% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	General Obligation Warrants		Notes Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2019	\$ 230,000.00	\$ 70,143.95	\$ 94,735.00	\$13,589.06	\$ 408,468.01
2020	235,000.00	67,342.50	98,504.87	9,819.15	410,666.52
2021	235,000.00	62,642.50	48,535.04	5,840.14	352,017.68
2022	240,000.00	57,942.50	47,330.65	1,863.70	347,136.85
2023	250,000.00	52,542.50	3,851.44	20.65	306,414.59
2024-2028	1,350,000.00	162,965.00			1,512,965.00
2029	290,000.00	8,990.00			298,990.00
Total	\$2,830,000.00	\$482,568.94	\$292,957.00	\$31,132.70	\$3,636,658.65

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Note 8 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). The program functions as a public entity risk pool. This program is self-sustaining through member premiums. Monthly premiums are determined annually by the program's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### **Note 9 – Interfund Transactions**

##### **Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

	Transfers In		Totals
	7 Cent Gasoline Tax Fund	Other Governmental Funds	
Transfers Out:			
Other Governmental Funds	\$25,000.00	\$391,435.00	\$416,435.00
Total	\$25,000.00	\$391,435.00	\$416,435.00

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the Capital Improvement Fund to the Debt Service Fund to service current-year debt requirements.

#### **Note 10 – Related Organizations**

A majority of the members of the Clay County Economic/Industrial Board; Clay County Hospital Board; Clay County Water Authority; Clay County E-911 Board; Hollins Water Board and the Millersville Water Authority are appointed by the Clay County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for any of the above organizations nor are any of the above organizations considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission.

---

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2018*

---

#### *Note 11 – Subsequent Event*

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Clay County Commission's revenues. As expected, the Clay County Commission incurred an increase in costs associated with the aftermath of COVID-19. The Commission was eligible for and received approximately \$474,574.71 through the Coronavirus Relief Fund from the federal government during fiscal years 2020 and 2021. Otherwise, the Commission does not anticipate there will be any other significant increase or decrease in revenues or costs associated with the aftermath of COVID-19. Budgets have not been significantly impacted at this time; however, the duration and severity of the effects of COVID-19 are still indeterminable at this time.

---

*This Page Intentionally Blank*

---

---

## *Required Supplementary Information*

***Schedule of Changes in the Employer's Net Pension Liability***  
***For the Year Ended September 30, 2018***

	2017	2016	2015	2014
<b><u>Total pension liability</u></b>				
Service cost	\$ 169,996.00	\$ 164,472.00	\$ 158,129.00	\$ 161,150.00
Interest	417,595	391,167	360,552	344,293
Change of Assumptions		141,867		
Differences between expected and actual experience	1,093	105,359	153,962	
Benefit payments, including refunds of employee contributions	(278,912)	(274,264)	(305,659)	(298,755)
Transfers among employers	(1,574)	(27,539)		
Net change in total pension liability	308,198	501,062	366,984	206,688
Total pension liability - beginning	5,527,778	5,026,716	4,659,732	4,453,044
Total pension liability - ending (a)	\$ 5,835,976	\$ 5,527,778	\$ 5,026,716	\$ 4,659,732
<b><u>Plan fiduciary net position</u></b>				
Contributions - employer	\$ 138,007	\$ 145,332	\$ 150,063	\$ 145,276
Contributions - employee	115,613	110,073	99,463	93,578
Net investment income	533,733	388,670	45,059	410,627
Benefit payments, including refunds of employee contributions	(278,912)	(274,264)	(305,659)	(298,755)
Transfers among employers	(1,574)	(27,539)	49,242	(3,029)
Net change in plan fiduciary net position	506,867	342,272	38,168	347,697
Plan fiduciary net position - beginning	4,181,896	3,839,624	3,801,456	3,453,759
Plan fiduciary net position - ending (b)	\$ 4,688,763	\$ 4,181,896	\$ 3,839,624	\$ 3,801,456
Commission's net pension liability - ending (a) - (b)	\$ 1,147,213	\$ 1,345,882	\$ 1,187,092	\$ 858,276
Plan fiduciary net position as a percentage of the total pension liability	80.34%	75.65%	76.38%	81.58%
Covered payroll (*)	\$ 2,149,962	\$ 2,091,262	\$ 1,950,894	\$ 1,806,352
Commission's net pension liability as a percentage of covered payroll	53.36%	64.36%	60.85%	47.51%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.  
GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2018***

	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 146,290	\$ 138,007	\$ 145,332	\$ 150,063	\$ 145,276
Contributions in relation to the actuarially determined contribution (*)	\$ 146,290	\$ 138,007	\$ 145,332	\$ 150,063	\$ 145,276
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,175,447	\$ 2,149,962	\$ 2,091,262	\$ 1,950,894	\$ 1,806,352
Contributions as a percentage of covered-employee payroll	6.72%	6.42%	6.95%	7.69%	8.04%

(\*) The amount of employer contributions related to normal and accrued liability components of employer rate, net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

(\*\*) Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 through September 30, 2018:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29.8 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2018***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Budget to GAAP</b>	<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>		<b>Differences</b>	<b>GAAP Basis</b>
<b><u>Revenues</u></b>						
Taxes	\$ 1,163,000.00	\$ 1,163,000.00	\$ 1,210,653.00	(1)	\$ 506,049.00	\$ 1,716,702.00
Licenses and Permits	6,000.00	6,000.00	5,371.00			5,371.00
Intergovernmental	764,030.00	764,030.00	639,459.00	(1)	1,957.00	641,416.00
Charges for Services	405,300.00	405,300.00	344,516.00	(1)	2,280.00	346,796.00
Fines and Forfeits	5,000.00	5,000.00				
Miscellaneous	60,200.00	60,200.00	75,253.00	(1)	5,022.00	80,275.00
Total Revenues	2,403,530.00	2,403,530.00	2,275,252.00		515,308.00	2,790,560.00
<b><u>Expenditures</u></b>						
Current:						
General Government	1,223,074.00	1,223,074.00	1,031,343.00	(2)	(44,237.00)	1,075,580.00
Public Safety	1,594,671.00	1,594,671.00	1,514,839.00	(2)	(2,508.00)	1,517,347.00
Highways and Roads						
Sanitation	11,650.00	11,650.00	10,310.00			10,310.00
Health	5,000.00	5,000.00	5,000.00			5,000.00
Welfare	62,145.00	62,145.00	44,768.00			44,768.00
Culture and Recreation	700.00	700.00				
Education	6,200.00	6,200.00	5,477.00			5,477.00
Capital Outlay	24,720.00	24,720.00	80,416.00			80,416.00
Debt Service	3,991.00	3,991.00	28,710.00			28,710.00
Total Expenditures	2,932,151.00	2,932,151.00	2,720,863.00		(46,745.00)	2,767,608.00
Excess (Deficiency) of Revenues Over Expenditures	(528,621.00)	(528,621.00)	(445,611.00)		468,563.00	22,952.00
<b><u>Other Financing Sources (Uses)</u></b>						
Transfers In	409,000.00	409,000.00	370,899.00	(3)	(370,899.00)	
Transfers Out			(370,899.00)	(3)	370,899.00	
Total Other Financing Sources (Uses)	409,000.00	409,000.00				
Net Changes in Fund Balances	(119,621.00)	(119,621.00)	(445,611.00)		468,563.00	22,952.00
Fund Balances - Beginning of Year	619,337.00	619,337.00	687,580.00	(4)	771,361.00	1,458,941.00
Fund Balances - End of Year	\$ 499,716.00	\$ 499,716.00	\$ 241,969.00		\$ 1,239,924.00	\$ 1,481,893.00

---

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2018***

---

**Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts per GAAP Basis:**

Some amounts are combined with the General Fund for reporting purposes but are budget separately.

(1) Revenues			
Public Roads, Buildings and Bridges Fund	\$	297,875.00	
General Fund Reserve Fund		956.00	
2 Cent Gas Tax Fund		109,197.00	
Tobacco Tax Fund		107,280.00	
		<u>107,280.00</u>	\$ 515,308.00
(2) Expenditures			
Tobacco Tax Fund	\$	(46,745.00)	(46,745.00)
(3) Other Financing Sources (Uses)			
Transfers In	\$	370,899.00	
Transfers Out		<u>(370,899.00)</u>	
Net Increase in Fund Balance - Budget to GAAP			<u><u>\$ 468,563.00</u></u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.			

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - 7 Cent Gasoline Tax Fund***  
***For the Year Ended September 30, 2018***

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b>Revenues</b>					
Intergovernmental	\$ 880,900.00	\$ 880,900.00	\$ 911,460.00	\$	\$ 911,460.00
Charges for Services	2,000.00	2,000.00			
Miscellaneous	357,300.00	357,300.00	427,422.00	(1) 238.00	427,660.00
Total Revenues	1,240,200.00	1,240,200.00	1,338,882.00	238.00	1,339,120.00
<b>Expenditures</b>					
Current:					
Highways and Roads	1,218,070.00	1,218,070.00	1,234,325.00	(2) (10.00)	1,234,335.00
Capital Outlay	190,000.00	19,000.00	273,881.00		273,881.00
Debt Service:					
Principal	60,000.00	60,000.00	63,246.39		63,246.39
Interest	12,000.00	12,000.00	12,495.61		12,495.61
Total Expenditures	1,480,070.00	1,309,070.00	1,583,948.00	(10.00)	1,583,958.00
Excess (Deficiency) of Revenues Over Expenditures	(239,870.00)	(68,870.00)	(245,066.00)	228.00	(244,838.00)
<b>Other Financing Sources (Uses)</b>					
Transfers In	25,000.00	25,000.00	25,000.00		25,000.00
Long-Term Debt Issued	283,400.00	283,400.00	129,216.00		129,216.00
Total Other Financing Sources (Uses)	308,400.00	308,400.00	154,216.00		154,216.00
Net Changes in Fund Balances	68,530.00	239,530.00	(90,850.00)	228.00	(90,622.00)
Fund Balances - Beginning of Year	338,299.00	338,299.00	162,345.00	(3) 45,433.00	207,778.00
Fund Balances - End of Year	\$ 406,829.00	\$ 577,829.00	\$ 71,495.00	\$ 45,661.00	\$ 117,156.00

**Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts per GAAP Basis:**

Some amounts are combined with the 7 Cent Gasoline Tax Fund for reporting purposes but are budgeted separately.

(1) Revenues	
Engineer's Office Fund	\$ 238.00
(2) Expenditures	
Engineer's Office Fund	(10.00)
Net Increase in Fund Balance - Budget to GAAP	\$ 228.00

(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - 4 Cent Gasoline Tax Fund***  
***For the Year Ended September 30, 2018***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Budget to GAAP</b>	<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Differences</b>	<b>GAAP Basis</b>
<b><u>Revenues</u></b>					
Intergovernmental	\$ 550,000.00	\$ 550,000.00	\$ 577,466.00	\$	\$ 577,466.00
Miscellaneous	3,500.00	3,500.00	3,541.00		3,541.00
Total Revenues	553,500.00	553,500.00	581,007.00		581,007.00
<b><u>Expenditures</u></b>					
Current:					
Highways and Roads	692,430.00	692,430.00	722,892.00		722,892.00
Total Expenditures	692,430.00	692,430.00	722,892.00		722,892.00
Excess (Deficiency) of Revenues Over Expenditures			(141,885.00)		(141,885.00)
Net Changes in Fund Balances			(141,885.00)		(141,885.00)
Fund Balances - Beginning of Year	213,456.00	213,456.00	676,243.00		676,243.00
Fund Balances - End of Year	\$ 213,456.00	\$ 213,456.00	\$ 534,358.00	\$	\$ 534,358.00

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - 5 Cent Gasoline Tax Fund***  
***For the Year Ended September 30, 2018***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Budget to GAAP</b>	<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Differences</b>	<b>GAAP Basis</b>
<b><u>Revenues</u></b>					
Intergovernmental	\$ 200,000.00	\$ 200,000.00	\$ 216,976.00	\$	\$ 216,976.00
Miscellaneous	3,000.00	3,000.00	4,678.00		4,678.00
Total Revenues	203,000.00	203,000.00	221,654.00		221,654.00
<b><u>Expenditures</u></b>					
Current:					
Highways and Roads	203,000.00	203,000.00	484,544.00		484,544.00
Total Expenditures	203,000.00	203,000.00	484,544.00		484,544.00
Excess (Deficiency) of Revenues Over Expenditures			(262,890.00)		(262,890.00)
Net Changes in Fund Balances			(262,890.00)		(262,890.00)
Fund Balances - Beginning of Year	364,441.00	364,441.00	872,212.00		872,212.00
Fund Balances - End of Year	\$ 364,441.00	\$ 364,441.00	\$ 609,322.00	\$	\$ 609,322.00

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Property Reappraisal Fund***  
***For the Year Ended September 30, 2018***

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b><u>Revenues</u></b>					
Taxes	\$ 459,855.00	\$ 459,855.00	\$ 307,453.00	\$	\$ 307,453.00
Miscellaneous	1,650.00	1,650.00	1,818.00		1,818.00
Total Revenues	461,505.00	461,505.00	309,271.00		309,271.00
<b><u>Expenditures</u></b>					
Current:					
General Government	461,505.00	461,505.00	309,271.00		309,271.00
Total Expenditures	461,505.00	461,505.00	309,271.00		309,271.00
Excess (Deficiency) of Revenues Over Expenditures					
Net Changes in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

---

*This Page Intentionally Blank*

---

---

## *Additional Information*

---

---

***Commission Members and Administrative Personnel***  
***October 1, 2017 through September 30, 2018***

---

---

<b>Commission Members</b>		<b>Term Expires</b>
Hon. Bennie D. Morrison	Commissioner	2020
Hon. Donald C. Harris	Commissioner (1)	2020
Hon. Ray Milstead	Commissioner	2020
Hon. Greg Denney	Commissioner	2020
Hon. Ricky Burney	Commissioner (2)	2024

**Administrative Personnel**

Mary Wood	Administrator	Indefinite
(1) Chairman from 09/04/2017 through 06/22/2018		
(2) Chairman from 06/23/2018 through 04/10/2019		

---

# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

---

## **Independent Auditor's Report**

Members of the Clay County Commission and County Administrator  
Ashland, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County Commission (the "Commission"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 17, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

---

# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

---

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

August 17, 2021